Department of Telecommunications and Energy
Record Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: July 15, 2002

Question:

SRR DTE-1 For each member of the alliance please indicate whether margins, resulting from the Asset Optimization Agreement, will be shared between the companies' customers and the stockholders. If yes, please indicate the margin sharing percentages.

Response: The Company understands that Massachusetts regulatory policy permits the sharing of margins resulting from the Optimization Agreement to the extent that savings generated within a particular category of transaction exceeds performance for the prior year. Customers and the Company share such increase in margins seventy-five percent (75%) and twenty-five percent (25%), respectively.

The Company understands that the Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company maintain the opportunity for a 50/50 sharing of gas cost savings that can be demonstrated as merger-enabled.

NYSEG is currently operating under a rate settlement that expires on September 30, 2002. Under that settlement, approved by the PSC in 1998, NYSEG is charging a fixed rate to its customers and there is no sharing mechanism. On October 19, 2001, NYSEG filed a gas rate case in which it proposed generally, among other changes to its rates, a 50/50 sharing of optimization savings. The parties attempted to negotiate a settlement of the rate case, including the sharing mechanism, but the settlement proposed to the Commission was rejected, and the parties are preparing to proceed to hearings.

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